THE ECONOMIC HISTORY OF THE CHICAGO AND EASTERN ILLINOIS RAILROAD

BY

RICHARD JACK TEWELES

B.S., University of Illinois, 1946
M.S., University of Illinois, 1948

AN ABSTRACT OF A THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN ECONOMICS
IN THE GRADUATE COLLEGE OF THE
UNIVERSITY OF ILLINOIS, 1949

URBANA, ILLINOIS

1949

THE ECONOMIC HISTORY OF THE CHICAGO AND EASTERN ILLINOIS RAILROAD

BY

RICHARD JACK TEWELES

B.S., University of Illinois, 1946
M.S., University of Illinois, 1948

AN ABSTRACT OF A THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN ECONOMICS
IN THE GRADUATE COLLEGE OF THE
UNIVERSITY OF ILLINOIS, 1949

URBANA, ILLINOIS

1949

ACKNOWLEDGMENTS

A history of the Chicago and Eastern Illinois Railroad could not have been undertaken, much less completed, without the full cooperation of the officials of that railroad. During the period that this thesis was being written, officials of the railroad gave generously of their time for interviews. They made available all existing records needed in the preparation of this study. They quickly supplied miscellaneous facts and figures whenever they were requested. All employees of the road showed complete willingness to cooperate whenever possible. Those whose assistance proved especially valuable include G. H. Smith, Vice-President-Finance; H. R. Sampson, Vice-President-Traffic; E. E. Gordon, Passenger Traffic Manager; F. G. Feth, Coal Traffic Manager; P. J. Wimsey, General Solicitor; and A. Bemberg, Chief of Passenger Tariffs.

Cooperation was also given by J. W. Barriger III, President of the Monon Railroad, and by various personnel of the New York Central Railroad office in Chicago, the Interstate Commerce Commission, the Reconstruction Finance Corporation, and the Bureau of Railway Economics, all in Washington, D.C.

At the University of Illinois, skilled guidance was provided by Professors Blodgett, Locklin, and Kemmerer, all of the Department of Economics. Professor Kemmerer deserves special credit for many constructive suggestions. He has given freely of his time throughout the writing of this thesis. Thanks are also due to my wife, Ruth, for her proofreading, criticisms, reproduction of maps, and understanding patience throughout the organization and writing of this thesis.

R. UNIV. BIBLIOTHEEK LEIDEN

THE ECONOMIC HISTORY OF THE CHICAGO AND EASTERN ILLINOIS RAILROAD

Railroad development, in general, fits into a well defined pattern. Usually, a railroad finds its beginning in a short local road. Such roads might have been built to connect isolated towns or to connect a town with a waterway. They were often built as a link between existing transportation systems or to tap newly developed industrial areas or markets. Sometimes a construction company promoted a railroad in order to get the building contract. Routes often followed old Indian or trader trails in a haphazard manner. Watercourses were followed, where possible, for simplicity of construction. Towns often changed the original survey of a railroad by offering enticing bond issues. The Chicago and Eastern Illinois illustrates all of these influences at some stage in its development. There are, of course, individual characteristics which have affected its growth. These include its emphasis on coal traffic, its excellent entrance into Chicago and terminal facilities in that city, the shortness of its line, and the territory through which it runs. Discussion of the railroad throughout this study is from an economic point of view.

By 1849, the people of Indiana realized that the state could not be expected to construct large scale transportation facilities for many years. State efforts to build roads, improve streams, and build canals had almost all failed dismally. Railroads constructed by private initiative seemed to be the only answer. Accordingly, various short railroads were built in Indiana, largely centering at Indianapolis.

Among the first of the new railroads was the Evansville and Illinois, incorporated in Indiana in 1849. That road was the earliest antecedent of the Chicago and Eastern Illinois. Evansville was an important port on the Ohio River. It handled much of the north-south flow of traffic in the Midwest. A road was envisioned from Evansville, along the Wabash River to Terre Haute and then to Indianapolis via Crawfords-

ville. Before construction had advanced much past Terre Haute, it became apparent that Chicago rather than Indianapolis was to become the great railroad hub of the Midwest. The railroad abandoned its extension toward Crawfordsville. No new parts of the present Chicago and Eastern Illinois were then undertaken until 1869.

Shortly after the Civil War, a construction company promoted the Chicago, Danville and Vincennes Railroad to be built between Dolton, 17 miles south of Chicago, and Danville, Illinois. The Evansville, Terre Haute and Chicago Railroad built the necessary link between the southern terminus of the Chicago, Danville and Vincennes, at Danville, and the northern terminus of the Evansville and Illinois, at Terre Haute.

When the Chicago, Danville and Vincennes fell into financial difficulties following the Panic of 1873, it was sold, and emerged as the Chicago and Eastern Illinois Railroad Company in 1877. The Chicago and Eastern Illinois, together with four other railroads, had the Chicago and Western Indiana Railroad constructed northward from Dolton to provide an independent entrance into Chicago and to supply terminal facilities in that city. Arrangements were made to pay for its tracks on a usage basis. The Chicago and Eastern Illinois then began its expansion toward the South. The Evansville, Terre Haute and Chicago Railway was leased in 1880 and purchased in 1899. The Evansville and Terre Haute Railroad was operated jointly with the Chicago and Eastern Illinois after 1890. Stock control of the Evansville and Terre Haute was gained by 1904 and the roads were consolidated in 1911.

With rights acquired by incorporating new railroads and by purchasing existing roads, the Chicago and Eastern Illinois extended its line to Joppa, Illinois, and Chaffee, Missouri. The new line penetrated the heart of the coal mining region of Franklin County. Connection was made with other railroads serving important points in the South.

A similar series of extensions toward St. Louis brought

the Chicago and Eastern Illinois as far west as Pana, Illinois. From there, St. Louis was reached over the tracks of the Big Four and the Terminal Railroad Association of St. Louis. Other lines were built to reach agricultural or mining areas or to shorten the existing route.

The St. Louis and San Francisco Railroad bought control of the Chicago and Eastern Illinois in 1902 for its direct route between St. Louis and Chicago and the terminal facilities in the latter city. Stock certificates, with which the acquisition was financed, required dividends on Chicago and Eastern Illinois stock larger than were warranted by earnings. In order to meet interest payments on these certificates, the Frisco undermaintained the Chicago and Eastern Illinois. The equipment and way of the latter depreciated until the decline of net earnings forced it into receivership in 1913. Before the new company emerged in 1921, Frisco control had ended and fixed charges had been drastically reduced.

Nine years of independent operation ended in 1930 when Chicago and Eastern Illinois control passed into the hands of the Van Sweringen brothers through their Chesapeake and Ohio Railroad. The Chicago and Eastern Illinois supplied the brothers with a short route from St. Louis to Chicago of which their nation-wide system was in need. The Chicago and Eastern Illinois entered bankruptcy in 1933 partly because of poor business conditions and partly because of a wage problem in the coal mines. Wages in Illinois and Indiana fields were considerably higher than those in non-unionized West Virginia and Kentucky fields. Illinois and Indiana producers, who formerly had shipped much of their output over the Chicago and Eastern Illinois, found themselves in a difficult competitive position.

The Chicago and Eastern Illinois emerged from bankruptcy in 1941. Fixed charges had been further reduced. Chesapeake and Ohio control had been lost when the Interstate Commerce Commission declared the common stock, which represented control, worthless. After a brief period of war-inspired profits, the Chicago and Eastern Illinois

operated at a deficit in 1946. There was a profit in 1947 only because of a non-recurring income tax refund and in 1948 largely because of a far-reaching retrenchment.

The basic difficulties of the Chicago and Eastern Illinois may be attributed to its terminal facilities, changes in coal production, and competition. Terminal facilities in Chicago, and its independent entrance into Chicago, had often caused other railroads to covet the Chicago and Eastern Illinois. These facilities are paid for on a usage basis which bears no relation to the length of a haul. Because the Chicago and Eastern Illinois is a comparatively short railroad, these terminal charges are almost prohibitive.

The Chicago and Eastern Illinois has always been primarily a coal carrying railroad. Its revenues have usually followed the trend of those of the bituminous coal industry. Two unfavorable tendencies have been of concern to the railroad. Illinois and Indiana have been producing increasingly small amounts of coal and the Chicago and Eastern Illinois has been getting an increasingly small proportion of that. It is difficult for the road to compete for coal traffic on a reciprocity basis because its own demand for coal is comparatively small.

The Chicago and Eastern Illinois has been caught in a net of high wages, declining traffic, and rates which have been increased less than have operating costs. Its operating revenues have declined more than the average of those of other Class I railroads or of Central Eastern Railroads.

The best apparent solution for the difficulties of the Chicago and Eastern Illinois would be joint operation with another road with complementary interests. Two such roads which carry traffic in and out of Chicago, but have no independent entrance into that city, are the Atlantic Coast Line and the Southern Pacific Railroad. The latter connects with the Chicago and Eastern Illinois at St. Louis and at Thebes; the Atlantic Coast Line connects with it at Evansville. A merger appears to be the best manner of improving the economic position of the Chicago and Eastern Illinois.

VITA

Richard Jack Teweles was born May 8, 1924, in Milwaukee, Wisconsin. He attended public schools in Milwaukee, Cincinnati, and Cleveland, Ohio, graduating from Glenville High School in Cleveland in 1940. He attended New York University from 1940 to 1941 and the University of Illinois from 1941 to 1943. For the next three years, he served in the United States Army Infantry. Discharged in 1946, he returned to the University of Illinois to complete the one semester necessary to obtain the B.S. in Management. After seven months with the Sun Life Assurance Company of Canada, he returned to the University of Illinois as a graduate assistant in Marketing. He was granted the M.S. in Marketing in 1948. Subsequently, he continued his graduate work as an assistant and a Fellow at the University of Illinois. Since September, 1946, he taught courses in principles of economics, marketing, salesmanship, and business mathematics. He is a member of Beta Gamma Sigma, Phi Kappa Phi, and Order of Artus. His thesis was supervised by a committee composed of Professors Kemmerer, Blodgett and Locklin. He married Ruth Freides on November 17, 1945. He has been appointed assistant professor of marketing at the University of Oklahoma, Norman, Oklahoma, effective September 1, 1949.

Digitized by the Internet Archive
in 2026

https://archive.org/details/IA41549816_0020